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UNCLAS SECTION 01 OF 03 KATHMANDU 000879

SIPDIS

STATE FOR SA/INS AND DS/IP/NEA
STATE ALSO PLEASE PASS USAID/DCHA/OFDA
STATE ALSO PLEASE PASS PEACE CORPS HQ
USAID FOR ANE/AA GORDON WEST AND JIM BEVER
MANILA FOR USAID/DCHA/OFDA
LONDON FOR POL/GURNEY
TREASURY FOR GENERAL COUNSEL/DAUFHAUSER AND DAS JZARATE
TREASURY ALSO FOR OFAC/RNEWCOMB AND TASK FORCE ON TERRORIST
FINANCING
JUSTICE FOR OFFICE OF THE DEPUTY ATTORNEY GENERAL/DLAUFMAN
NSC FOR MILLARD
SECDEF FOR OSD/ISA ALVERSON

E.O. 12958: N/A

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SUBJECT: UPDATE ON NEPAL'S MAOIST INSURGENCY, MAY 1-7, 2004

REF: (A) SECSTATE 96295
(B) KATHMANDU 846
(C) KATHMANDU 722

SUMMARY

[1](#)1. On May 4, the Communist Party of Nepal (Maoist) reacted angrily to its inclusion on the U.S. Terrorist Exclusion List (REF A). Following continued Maoist threats and violence against their work in the far-west region of Nepal, some international donors announced on May 6 that they would suspend development work in the region until further notice. Contradicting earlier commitments not to target development infrastructure or project sites the Maoists on May 1 attacked a government agricultural project site in the eastern Terai and forced the closure of the only railroad in Nepal. On May 6, in the same district, the Maoists looted close to USD 60,000 from a local bank. There continue to be widespread reports of Maoists threatening government officials in an effort to force them to resign from their posts. The result has been a shift in government structure to the district level. END SUMMARY.

MAOISTS ON U.S. TERRORIST EXCLUSION LIST

[1](#)2. On May 4 the Maoists, in response to being included on the U.S. Terrorist Exclusion List (REF A), issued a scathing editorial in the Janadesh Weekly (Nepali language, Maoist sympathetic). The editorial called the designation an indication that the U.S. did not support peace in Nepal and opposed "the emergence of Maoists as a power which can challenge American imperialism." Press reports further indicated that Maoist leader Baburam Bhattarai stated that the U.S.' exclusion designation demonstrated America's desire to "make Nepal a battlefield, aimed at inciting India and China to go to war."

DONORS SUSPEND DEVELOPMENT
WORK IN FAR WEST

[1](#)3. On 6 May, the Netherlands aid organization (SNV), the British Department for International Development (DFID), and German Technical Cooperation (GTZ) announced during the closing session of the Nepal Development Forum that they had suspended development activities in the Kailali District and in the Karnali Zone (in the far-west) as a result of "unacceptable" Maoist demands and threats against a number of development agencies (REF B). SNV also announced that it had topped all of its development activities in the mid-west as a result of Maoist threats. World Food Program (WFP) announced that in the absence of these agencies' technical assistance, its programs, and specifically the Rural Community Infrastructure Works program, would also be suspended until further notice.

MAOISTS DESTROY A GOVERNMENT AGRICULTURE
DEVELOPMENT PROJECT AND LOOT BANK

[1](#)4. Violating an earlier commitment made by Maoist supreme leader Prachanda not to target development infrastructure or project property, on May 1 approximately 200 Maoists attacked a government agricultural project site located about 17 km north of Dhanusha District headquarters (in eastern Terai). The site provides agricultural irrigation to 23 districts. New reports indicate that estimated damage from the attack is over NRs. 80 million (over USD 1.1 million). The attack forced the closure of the Janakpur-Jayanagar railway (the only railway in Nepal) and will

likely lead to irrigation problems in the Terai. On May 6, Maoists looted close to USD 60,000 from the Everest Bank located in Janakpur (Dhanusha District headquarters). According to local news reports, to prevent security forces from responding to the situation the Maoists disconnected phone lines and placed bombs along roads leading to the bank.

RUMORS OF MAOIST EMBARGO RESULT IN STRANDED
TRUCKS AT TATOPANI BORDER CROSSING

15. According to news reports, over 50 trucks transporting consumer goods bound for Kathmandu have been held at the Tatopani customs border crossing (along the Chinese-Nepal border) since May 5 following rumors that the Maoists have embargoed the area.

MAOISTS TARGET GOVERNMENT OFFICIALS
AND DISTRICT HEADQUARTERS

16. The Maoists continue to target government officials and offices. In Dang (mid-western region), over 100 appointed local government representatives reportedly resigned in fear of Maoist reprisals. Reports indicate that in Nawalparasi District (in central Terai), Maoists padlocked over 60 local government offices in an effort to prevent government officials from reporting to work. Reports from Bardiya (in western Terai) indicate that approximately 95 percent of local government offices had shifted to district headquarters following Maoists threats. In Ilam (in eastern Terai) reports allege that 49 nominated government officials refused to assume their posts following Maoists threats.

MAOISTS CONDUCT POLITICAL CAMPAIGNS;
FORCED RECRUITMENT CONTINUES

17. Maoists continue to force villagers to participate in their political events. In Dadeldhura (far-west), Maoists are reportedly forcing women to participate in a seven-day women's program. As a result, over 100 women fled to the district headquarters to avoid this. Reports from Kalikot, also in the far-west, mention that hundreds of people have been forced by the Maoists to participate in military training. On May 2, reports from Kailali District (far-west) allege that the Maoists have abducted over 500 ex-Kamaiyas, or bonded workers, and have taken them to the central part of the district.

18. Six local schools in Kalikot (far-west) closed following a Maoist demand that each school send 50 participants to its "Maoist Student Meet" on May 9. Students, citing fears of forced conscription, have left their villages for the Doti district headquarters. As a result, schools in the district headquarters, Dipayal, and neighboring Silgadi are filled beyond capacity and have been forced to turn students away. Reports indicate that dozens of students from Achham District (located in the far-west) fled across the border to India following the April 12 RNA aerial attack on their school (REF C).

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